

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 175** HLS 17RS 458

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 11, 2017 9:17 AM	Author: JONES
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Earned Income Tax Credit	

TAX/INCOME-INDIV/CREDIT OR -\$47,000,000 GF RV See Note
Increases the amount of the earned income tax credit

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Present law provides a refundable state tax credit equivalent to 3.5% of the federal earned income credit for which a taxpayer is eligible.

Proposed law increases the state credit to 7% of the federal credit amount.

Applicable to taxable years beginning on and after January 1, 2017, but only if an Act originating as an unspecified House Bill of this 2017 regular session is enacted.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$235,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$235,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue will incur minor reprogramming costs to incorporate the change in this credit.

REVENUE EXPLANATION

The fiscal note assumes that the unspecified House Bill upon which this measure is contingent becomes enacted, and does not change other provisions of tax that might affect the earned income tax credit. The existing state earned income tax credit has averaged \$47 million in the last three complete years (FY13 - FY15). Since this bill doubles the credit, it is reasonable to expect an additional \$47 million of foregone state tax revenue as a result of this bill. While fiscal years tend to have more than one tax period of returns filed in them, for personal income tax returns involving nonbusiness income items such as this credit, the bulk of the effect of a change such as proposed by this bill tend to be exhibited in the fiscal year in which the first affected tax period ends (returns for the single tax year 2014 claimed \$47.1 million). This bill makes this higher credit applicable for tax year 2017, and will reduce revenue starting in FY18.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
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Legislative Fiscal Officer